
HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3-1-06



HAMMOND-TANGIPAOA HOME MORTGAGE AUTHORITY

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2005

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Independent Auditors' Report

To the Board of Trustees
Hammond-Tangipahoa Home Mortgage Authority
Hammond, Louisiana

We have audited the accompanying combined financial statements of the Hammond-Tangipahoa Home Mortgage Authority (the Authority) as of and for the years ended June 30, 2005 and 2004, as set forth in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Hammond-Tangipahoa Home Mortgage Authority as of June 30, 2005 and 2004, and its results of operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 6, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2006 on our consideration of the Hammond-Tangipahoa Home Mortgage Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary combining information and schedules as of June 30, 2005 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Hammond-Tangipahoa Home Mortgage Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
January 30, 2006

REQUIRED SUPPLEMENTARY INFORMATION

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2005

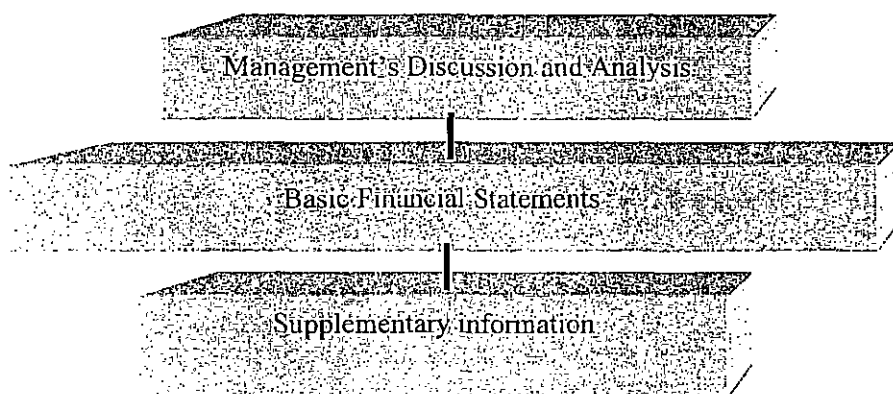
The Management's Discussion and Analysis of Hammond-Tangipahoa Home Mortgage Authority's (the Authority) financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended June 30, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Authority's combined financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- ★ The Authority ended fiscal 2005 with net assets of \$1,330,563 compared to \$1,289,052 at the end of fiscal 2004, representing a slight (3%) increase.
- ★ The Authority's 2005 revenues increased \$79,176 (or 131%) due primarily to increases in the fair values of invested assets.
- ★ Expenses and losses decreased \$68,729 (or 41%) in 2005 due primarily to reduced interest expense that resulted from a lower level of bonds outstanding from 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic combined financial statements (including the notes to the combined financial statements), and supplementary information.

Basic Financial Statements

The basic financial statements present information for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Combined Balance Sheets; the Combined Statements of Revenues, Expenses, and Changes in Net Assets; and the Combined Statements of Cash Flows.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2005

The Combined Balance Sheets (page 7) present the assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Combined Statements of Revenues, Expenses, and Changes in Net Assets (page 8) present information showing how Authority's net assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Combined Statements of Cash Flows (pages 9 - 10) present information showing how Authority's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Combined Balance Sheets (Condensed)
As of June 30, 2005, 2004 and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 1,186,807	\$ 1,263,750	\$ 1,288,537
Securitized mortgage loans	<u>830,499</u>	<u>1,118,005</u>	<u>1,944,615</u>
Total assets	<u>2,017,306</u>	<u>2,381,755</u>	<u>3,233,152</u>
Other liabilities	6,743	10,786	18,448
Long-term debt outstanding	<u>680,000</u>	<u>1,081,917</u>	<u>1,819,258</u>
Total liabilities	<u>686,743</u>	<u>1,092,703</u>	<u>1,837,706</u>
Restricted for MRB programs	289,688	303,741	381,975
Unrestricted net assets	<u>1,040,875</u>	<u>985,311</u>	<u>1,013,471</u>
Total net assets	<u>\$ 1,330,563</u>	<u>\$ 1,289,052</u>	<u>\$ 1,395,446</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Restricted net assets represent those assets that are not available for general use due to terms of the various bond trust indentures under which assets are held and pledged as security for the bonds of the Authority's Mortgage Revenue Bond Program. Conversely, unrestricted net assets are those that do not have any limitations on their use.

Combined Statements of Revenues, Expenses, and Changes in Net Assets (Condensed)
for the Years Ended June 30, 2005, 2004 and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues	\$ 139,746	\$ 60,570	\$ 315,084
Expenses	(98,235)	(166,964)	(653,077)
Increase (decrease) in net assets	<u>\$ 41,511</u>	<u>(\$ 106,394)</u>	<u>(\$ 337,993)</u>

Net assets of the Authority increased by \$41,511, or 3%, from June 30, 2004 to June 30, 2005. The Authority's operating revenues increased in 2005 due primarily to changes in the market value of the investment portfolio. Total expenses decreased during the year as a result of reduced interest costs due to retirement of the bonds.

In 2004, the Authority's operating revenues decreased primarily as a result of two factors. First, refinancings and early payoffs of mortgage loans and subsequent reinvestment of those proceeds into lower yielding investments and mortgage loans caused interest earnings to decrease. Secondly, the market value of the investment portfolio decreased by approximately \$80,000. Operating expenses decreased as a result of reduced interest costs due to retirement of bonds issued in prior years and loss on extinguishment of debt of approximately \$280,000 in 2003.

Debt

The Authority had \$680,000 in bonds outstanding at June 30, 2005, compared to \$1,081,917 at June 30, 2004; a decrease of 37%. Bonds outstanding at year-end 2003 were \$1,819,258.

The Authority's bond rating continues to carry the Aaa rating for the debt of its Mortgage Revenue Bonds as determined by Moody's Investor Services.

The Authority has accrued interest payable of \$6,743 outstanding at year-end compared with \$10,786 and \$18,448 at year-end 2004 and 2003, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Relatively low conventional market interest rates will continue to stimulate early payoffs and refinancing of the program mortgage loans. These early payoffs shrink the Authority's asset base thereby reducing the mortgage interest income.
- The Authority's operations and the results of operations are not anticipated to change significantly in the next fiscal year. Interest rates may rise during the year resulting in higher interest income, however, market values may decrease with such a rise.
- Although, new lending programs and other activities are being considered for the future, no new programs are anticipated for the next fiscal year.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2005

CONTACTING HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Louisiana's citizens and taxpayers, as well as the Authority's customers, investors and creditors with a general overview of Hammond-Tangipahoa Home Mortgage Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stan Dameron, Chairman, Hammond/Tangipahoa Home Mortgage Authority, 1819 N. Columbia Street, Covington, LA 70433, 985-898-0206.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED BALANCE SHEETS
JUNE 30, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 228,610	\$ 123,573
Certificates of deposit	99,334	132,600
Investments	828,262	964,934
Securitized mortgage loans	830,499	1,118,005
Accrued interest receivable	8,203	10,502
Prepaid expense	3,000	-
Deferred financing costs	19,398	32,141
Total Assets	<u>\$ 2,017,306</u>	<u>\$ 2,381,755</u>

LIABILITIES AND NET ASSETS

Accrued interest payable	\$ 6,743	\$ 10,786
Bonds payable	680,000	1,081,917
Total Liabilities	<u>686,743</u>	<u>1,092,703</u>
Net Assets		
Restricted for MRB programs	289,688	303,741
Unrestricted	1,040,875	985,311
Total Net Assets	<u>1,330,563</u>	<u>1,289,052</u>
Total Liabilities and Net Assets	<u>\$ 2,017,306</u>	<u>\$ 2,381,755</u>

The accompanying notes are an integral part of these financial statements.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>		
Mortgage loan income:		
Interest earned	\$ 59,646	\$ 85,083
Change in market value-securitized loans	(14,874)	(40,016)
Investment income:		
Interest earned	55,772	55,129
Change in market value-investments	37,559	(39,626)
Other income	1,643	-
Total revenues	<u>139,746</u>	<u>60,570</u>
<u>EXPENSES AND LOSSES</u>		
Interest	56,763	100,885
Amortization of deferred financing costs	12,743	22,798
Legal fees	12,000	15,000
Accounting and audit costs	8,500	9,062
Board meeting expenses and per diem	2,600	2,400
Other operating expenses	5,629	16,819
Total expenses	<u>98,235</u>	<u>166,964</u>
Change in net assets	41,511	(106,394)
<u>NET ASSETS - beginning of year</u>	<u>1,289,052</u>	<u>1,395,446</u>
<u>NET ASSETS - end of year</u>	<u><u>\$ 1,330,563</u></u>	<u><u>\$ 1,289,052</u></u>

The accompanying notes are an integral part of these financial statements.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

Page 1 of 2

	<u>2005</u>	<u>2004</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
<u>Cash received from:</u>		
Investment and mortgage loan income	\$ 159,441	\$ 147,266
Program mortgage principal collections	286,424	784,356
Fee revenue	2,443	14,846
<u>Cash paid to:</u>		
Suppliers of services	(32,529)	(58,127)
Bondholders for interest	(60,807)	(95,888)
Net cash provided by operating activities	<u>354,972</u>	<u>792,453</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investments sold	1,288,487	1,782,379
Investments purchased	(1,133,422)	(1,739,555)
Net cash provided by investing activities	<u>155,065</u>	<u>42,824</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>		
Retirement of bonds payable	(405,000)	(750,000)
Net cash used in financing activities	<u>(405,000)</u>	<u>(750,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	105,037	85,277
<u>CASH AND CASH EQUIVALENTS - beginning of year</u>	<u>123,573</u>	<u>38,296</u>
<u>CASH AND CASH EQUIVALENTS - end of year</u>	<u>\$ 228,610</u>	<u>\$ 123,573</u>

The accompanying notes are an integral part of these financial statements.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

Page 2 of 2

	<u>2005</u>	<u>2004</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 41,511	\$ (106,394)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of mortgage loan premium	1,082	2,238
Amortization of deferred financing costs	12,743	22,798
Amortization of deferred loss	3,083	12,659
Change in unrealized losses on securites	14,874	79,642
Mortgage loan principal payments received	286,424	784,356
Change in:		
Accrued interest receivable	2,298	4,816
Prepaid expense	(3,000)	-
Accrued interest payable	<u>(4,043)</u>	<u>(7,662)</u>
Net cash provided by operating activities	<u>\$ 354,972</u>	<u>\$ 792,453</u>

The accompanying notes are an integral part of these financial statements.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Organization of Authority

The Hammond-Tangipahoa Home Mortgage Authority (the Authority) is a public trust created through a Trust Indenture dated February 20, 1979. The Authority's primary purpose is to provide funds to enable qualifying low and moderate income persons to purchase or, under certain circumstances, improve single unit, owner-occupied residences in the Parish of Tangipahoa, Louisiana. The Authority achieves this purpose by purchasing qualifying mortgage loans made to such persons by participating mortgage lenders.

The Authority uses the proceeds of issuance of bonds payable to fund the purchase of mortgage loans or GNMA and FNMA certificates which are backed by qualifying mortgage loans. This practice is carried out through the creation of programs (MRB programs) which are periodically sponsored by the Authority, based upon the housing demand of the geographic region. The bonds issued by the Authority are limited obligations of the Authority, payable only from revenues and receipts derived from the mortgage loans and other assets held under and pursuant to the trust indenture.

The Authority is managed by a board of trustees appointed by the City Council of Hammond, Louisiana.

2. Significant Accounting Policies

Financial Reporting Entity

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Authority is considered a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. The Authority also has no *component units*, defined by GASB Statement 14 as other legally separate organizations for which the Authority members are financially accountable.

Basis of Accounting and Reporting

The Authority complies with accounting principles generally accepted in the United States of America (GAAP) by applying all relevant Governmental Accounting Standards Board (GASB) pronouncements. As the Authority and its mortgage revenue bond program are considered to be proprietary fund types, the Authority also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The accounting principles generally accepted in the United States of America (GAAP) used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized when incurred.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

Basis of Accounting and Reporting (continued)

The following funds are maintained by the Authority:

General Fund

This fund provides for the accounting of general and administrative expenses of the Authority, any allowable transfers from other funds, investment interest income, and various types of fees. Assets of this fund are generally unrestricted and may be utilized for any lawful purpose of the Authority.

Mortgage Revenue Bond Funds (MRB Programs)

These funds have been established to account for the various trust accounts created under trust indentures of MRB programs. The various accounts within the funds provide for the custody of assets and the payment of the debt service requirements and are aggregated in the accompanying combined financial statements.

The above funds are presented on a combined basis, however, the assets of the accounts under the indenture are restricted and consequently, the amounts presented do not necessarily indicate that the combined assets are available in any manner other than that provided for in the trust indentures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Securities and Securitized Mortgage Loans

Investment securities and securitized mortgage loans are stated at fair value based on quoted market prices. The change in unrealized gain or loss is recognized as a component of income. Amortization of premium and accretion of discount are computed on a method that approximates the interest method over the life of each security.

Deferred Loss on Refunding

The Authority accounts for debt refundings in accordance with GASB No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. In accordance with this statement, gains and losses that result from debt refundings are deferred and amortized over the life of the new debt or the retired debt, whichever is the shorter period, using a method that approximates the interest method.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

Deferred Bond Issuance Costs

Deferred bond issuance costs, including the underwriters' discount on the sale of the bonds payable, are amortized on a method that approximates the interest method over the estimated lives of the related bonds payable.

Bonds Payable

Bonds payable are stated net of the unamortized discount or premiums which is amortized on a method that approximates the interest method over the estimated lives of the bonds.

3. Cash and Certificates of Deposit

Cash and certificates of deposit are stated at cost which approximates market value. Permissible types of cash instruments for the 1999 A and B Mortgage Revenue Bond Funds (MRB programs) are stipulated in the respective trust indentures. State statutes set forth the permissible types of cash instruments for the general fund. Under the statutes, the Authority may deposit funds in state banks organized under the laws of Louisiana and national banks with principal offices located within Louisiana.

Deposits in financial institutions may be exposed to custodial credit risk. Custodial credit risk is the risk that funds may not be recovered by a depositor upon failure of the financial institution. At June 30, 2005 and 2004, the Authority had bank deposits (consisting of demand deposits and certificates of deposit) with aggregate carrying amounts of \$327,734 and \$256,173. The Authority had no exposure to custodial credit risk as of June 30, 2005 and 2004.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Investments

At June 30, 2005, investments of \$828,262 consisted of the following:

INVESTMENT TYPE/ISSUER	FAIR VALUE	CREDIT QUALITY RATING *	% OF INVESTMENTS	EXPECTED MATURITY
Federal Home Loan Mortgage Corporation CMO	\$179,153	Aaa	21%	12/2006
Federal Home Loan Mortgage Corporation CMO	\$159,085	Aaa	19%	2/2008
Federal Home Loan Mortgage Corporation CMO	\$30,945	Aaa	4%	6/2006
Federal National Mortgage Association	\$15,469	Aaa	2%	12/2005
Federal Home Loan Mortgage Corporation CMO	\$202,398	Aaa	24%	10/2007
GNMA CMO	\$119,789	N/A	14%	3/2007
Investment Contract FGIC Capital	\$121,423	N/A	16%	11/2031
Total Investments	<u>\$828,262</u>		100%	

*Credit quality rating obtained from Standard & Poors

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, an entity will not be able to recover the value of its investments that are in possession of an outside party. At June 30, 2005, the Authority's investments in government debt obligations are not subject to custodial credit risk.

Credit Risk: Credit is the risk that an issuer or other counterparty to an investment will be unable to meet its obligations. Bond ratings from the nationally recognized rating agencies provide an indicator of the credit risk of debt securities. Credit risk is minimized by investing in U.S. Government Agency obligations.

Interest Rate Risk: The risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority measures and monitors this risk by investing in securities with an expected maturity of 1 to 5 years, taking into consideration the prepayment speed of mortgage backed securities which can result in an expected maturity well ahead of the contractual maturity.

The Authority does not have a written investment policy with respect to these three risks.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Investments (continued)

The investment contracts owned by the 1999 A & B Mortgage Revenue Bond Program represent deposits in a financial institution with a guaranteed interest rate over the life of the related bonds outstanding. The investment contract is unsecured and redemption of the investment depends solely on the financial condition of the contract provider (FGIC Capital). The investment contract has no secondary market and its fair value is considered to be the same as cost.

5. Securitized mortgage loans

The various loans of the 1999 A & B MRB program have been pooled and securitized into GNMA and FNMA securities. These securities bear pass-through rates of 6.45% - 6.85%, and are guaranteed as to timely payment of principal and interest by the Government National Mortgage Association and Federal National Mortgage Association. The underlying loans backing the GNMA and FNMA securities are collateralized by mortgages on single unit, owner-occupied residences located in the Parish of Tangipahoa, Louisiana. The loans, which have scheduled maturities of approximately 30 years, are serviced by a master servicer.

6. Bonds Payable

The Authority issues revenue bonds to assist in the financing of housing needs in the Parish of Tangipahoa, State of Louisiana. The bonds are limited obligations of the Authority, payable only from the assets, income, revenues and receipts derived from the mortgage loans and other investments held under and pursuant to the trust indentures and pledged therefore. The issuance of debt for the financing of projects by the Authority is subject to the approval of the Louisiana State Bond Commission. Bonds are issued under various bond resolutions adopted by the Authority to provide financing for qualified single family residences.

At June 30, 2005, bonds payable outstanding were as follows:

	<u>Coupon Rate</u>	<u>Face Amount</u>	<u>Unamortized Deferred Loss on Refunding</u>	<u>Carrying Amount</u>
Term Bonds, due 2031	5.9%-6.0%	\$ 680,000	\$ -	\$ 680,000

At June 30, 2004, bonds payable outstanding were as follows:

	<u>Coupon Rate</u>	<u>Face Amount</u>	<u>Unamortized Deferred Loss on Refunding</u>	<u>Carrying Amount</u>
Term Bonds, due 2031	5.9%-6.0 %	\$ 1,085,000	(\$ 3,083)	\$ 1,081,917

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

6. Bonds Payable (continued)

The Series 1999 A & B bonds pay interest semi-annually, on May 1 and November 1. The 1999 A Serial bonds (all of which were retired during the year ended June 30, 2004) matured serially, beginning November 1, 2001 through November 1, 2006. The term bonds have scheduled sinking fund requirements which begin in November 2006. In accordance with the mandatory redemption provisions of the trust indenture, all bonds are subject to optional redemption prior to their maturity. Such redemptions may occur as a result of mortgage loan prepayments or other conditions related to mortgage loan demand. Because of fluctuations in the loan demand, these programs and the bonds have an expected life of ten to twelve years, well below the terms stated in the bond documents. Future debt service requirements are as follows:

Ending June 30,	Principal	Estimated Interest	Total
2006	\$ -	\$ 40,460	\$ 40,460
2007	-	40,460	40,460
2008	-	40,460	40,460
2009	-	40,460	40,460
2010	-	40,460	40,460
2011-2015	-	202,300	202,300
2016-2020	-	202,300	202,300
2021-2025	-	202,300	202,300
2026-2030	-	202,300	202,300
2031	680,000	40,460	720,460
	<u>\$ 680,000</u>	<u>\$ 1,051,960</u>	<u>\$ 1,731,960</u>

7. Defeased Bonds

On August 30, 1990, the Authority irrevocably placed into trust an amount of funds sufficient for payment of the Single Family Mortgage Revenue Bonds, 1979 Series A bonds. As a result of this defeasance, these bonds have been removed from the Authority's financial statements. At June 30, 2005 and 2004, the balance of the defeased bonds outstanding was \$5,710,000 and \$7,808,000, respectively.

On August 18, 1999, the Authority issued the 1999 Series A and Series B (refunding) mortgage revenue bonds, with aggregate face values of \$5,000,000 and \$1,250,000, respectively. Concurrently, the Authority irrevocably placed cash and U. S. Government obligations in trust to provide sufficient payment to defease the Series 1990 A and B bonds outstanding, and accrued interest payable at that date. Funding for the defeasance was provided from proceeds of the sale of the mortgage loan portfolio which secured the bonds, and from proceeds of the issuance of the 1999 Series B (refunding) bonds. At June 30, 2005 and 2004, the balance of the defeased Series 1990 A and B bonds outstanding was \$500,000. As a result of the defeasance, the 1990 A & B bonds and the related pledged assets have been removed from the Authority's financial statements.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

8. Board of Trustees Expenses

The appointed members of the Authority's Board of Trustees receive a per diem payment for meetings attended and services rendered, and are also reimbursed for their actual expenses incurred in the performance of their duties as Trustees. For the year ended June 30, 2005 and 2004, the following per diem payments were made to the members of the Authority's Board:

	<u>2005</u>	<u>2004</u>
Stan Dameron	\$ 650	\$ 600
Sandy Davis	650	600
Andrew Gasaway	650	600
Rodney Cash	650	600
	<u>\$ 2,600</u>	<u>\$ 2,400</u>

A board member's business performs administrative and accounting services for an annual fee of \$1,200.

SUPPLEMENTARY COMBINING INFORMATION

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINING BALANCE SHEET
JUNE 30, 2005

ASSETS

	General Fund	1999 A & B Mortgage Revenue Bond Fund	Combined Totals
Cash and cash equivalents	\$ 228,610	\$ -	\$ 228,610
Certificate of deposit	99,334	-	99,334
Investments	706,839	121,423	828,262
Securitized mortgage loans	-	830,499	830,499
Accrued interest receivable	3,092	5,111	8,203
Prepaid expense	3,000	-	3,000
Deferred financing costs	-	19,398	19,398
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,040,875</u>	<u>\$ 976,431</u>	<u>\$ 2,017,306</u>

LIABILITIES AND NET ASSETS

Accrued interest payable	\$ -	\$ 6,743	\$ 6,743
Bonds payable	-	680,000	680,000
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>686,743</u>	<u>686,743</u>
Net Assets			
Restricted for MRB programs	-	289,688	289,688
Unrestricted	1,040,875	-	1,040,875
	<u> </u>	<u> </u>	<u> </u>
Total Net Assets	<u>1,040,875</u>	<u>289,688</u>	<u>1,330,563</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 1,040,875</u>	<u>\$ 976,431</u>	<u>\$ 2,017,306</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	1999 A & B Mortgage Revenue Bond Fund	Eliminations	Combined Totals
<u>REVENUES</u>				
Mortgage loan income:				
Interest earned	\$ -	\$ 59,646	\$ -	\$ 59,646
Change in market value-securitized loans	-	(14,874)	-	(14,874)
Investment income:				
Interest earned	43,073	12,699	-	55,772
Change in market value-investments	37,559	-	-	37,559
Other income	2,443	-	(800)	1,643
Total revenues	<u>83,075</u>	<u>57,471</u>	<u>(800)</u>	<u>139,746</u>
<u>EXPENSES AND LOSSES</u>				
Interest	-	56,763	-	56,763
Amortization of deferred financing costs	-	12,743	-	12,743
Legal fees	12,000	-	-	12,000
Accounting and audit costs	8,500	-	-	8,500
Board meeting expenses and per diem	2,600	-	-	2,600
Other operating expenses	4,412	2,017	(800)	5,629
Total expenses	<u>27,512</u>	<u>71,523</u>	<u>(800)</u>	<u>98,235</u>
Changes in net assets	55,563	(14,052)	-	41,511
<u>NET ASSETS - beginning of year</u>	<u>985,312</u>	<u>303,740</u>	<u>-</u>	<u>1,289,052</u>
<u>NET ASSETS - end of year</u>	<u>\$ 1,040,875</u>	<u>\$ 289,688</u>	<u>\$ -</u>	<u>\$ 1,330,563</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

Page 1 of 2

	General Fund	1999 A & B Mortgage Revenue Bond Fund	Combined Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
<u>Cash received from:</u>			
Investment and mortgage loan income	\$ 81,482	\$ 77,959	\$ 159,441
Fee revenue	2,443	-	2,443
Program mortgage loan principal collections	-	286,424	286,424
<u>Cash paid to:</u>			
Suppliers of services	(30,512)	(2,017)	(32,529)
Bondholders for interest	-	(60,807)	(60,807)
Net cash provided by operating activities	53,413	301,559	354,972
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Investments sold	850,253	438,234	1,288,487
Investments purchased	(783,629)	(349,793)	(1,133,422)
Net cash provided by investing activities	66,624	88,441	155,065
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>			
Retirement of bonds payable	-	(405,000)	(405,000)
Net cash used in financing activities	-	(405,000)	(405,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	120,037	(15,000)	105,037
<u>CASH AND CASH EQUIVALENTS - beginning of year</u>	108,573	15,000	123,573
<u>CASH AND CASH EQUIVALENTS - end of year</u>	<u>\$ 228,610</u>	<u>\$ -</u>	<u>\$ 228,610</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

Page 2 of 2

	General Fund	1999 A & B Mortgage Revenue Bond Fund	Combined Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Change in net assets	\$ 55,563	\$ (14,052)	\$ 41,511
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Amortization of mortgage loan premium	-	1,082	1,082
Amortization of deferred financing costs	-	12,743	12,743
Amortization of deferred loss	-	3,083	3,083
Change in unrealized losses on securities	-	14,874	14,874
Mortgage loan principal collections	-	286,424	286,424
Change in:			
Accrued interest receivable	850	1,448	2,298
Prepaid expense	(3,000)	-	(3,000)
Accrued interest payable	-	(4,043)	(4,043)
	<u>\$ 53,413</u>	<u>\$ 301,559</u>	<u>\$ 354,972</u>
Net cash provided by operating activities	<u>\$ 53,413</u>	<u>\$ 301,559</u>	<u>\$ 354,972</u>



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**Report on Compliance and Other Matters and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Board of Trustees
Hammond-Tangipahoa Home Mortgage Authority
Hammond, Louisiana

We have audited the financial statements of the Hammond-Tangipahoa Home Mortgage Authority as of and for the year ended June 30, 2005, and have issued our report thereon dated January 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hammond-Tangipahoa Home Mortgage Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hammond-Tangipahoa Home Mortgage Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Authority's management and the Louisiana Legislative Auditor, and it is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
January 30, 2006

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None